



Joint Committee on Public Employee Retirement



BENEFIT UPDATE

June 2001

There were many pension related changes which passed on both the state and federal levels recently. In an effort to keep the local public employee retirement systems (PERS) informed, the Joint Committee on Public Employee Retirement (JCPER) is providing this *Benefit Update*.

END OF SESSION REVIEW

At the conclusion of the 2001 Legislative Session of the Missouri General Assembly, 5 pension related bills were Truly Agreed To and Finally Passed. In total 12 pension systems were affected by the passage of these bills. The bills passed were:

◇ CCS for HCS for SB 274

County Employee Retirement Fund (CERF)

- ✓ Allows counties to make matching contributions towards a members defined contribution account within CERF
- ✓ Allows forfeiture proceeds to be used toward that county's matching contributions
- ✓ Provides CERF coverage for a specific classification of county employees

◇ HS for SCS for SB 290

The Joint Committee on Public Employee Retirement monitored 56 pension related bills, 14 requiring actuarial cost statements, which were properly filed.

Kansas City Police Retirement System

- ✓ Increases duty disability from 60% to 75% of final compensation,
- ✓ Increases non-duty disability benefit from 2% to 2.5% of compensation times years of service
- ✓ Clarification of survivor benefits upon remarriage

St. Louis Police Retirement System

- ✓ Final Average Compensation modified from final 3 years to 2 years,
- ✓ Allows one-time re-entry into the system after DROP. Two years service is required after re-entry before additional benefits are earned
- ✓ Provides refund of contributions without interest upon retirement for accidental disability

St. Louis Firemens' Retirement System

- ✓ Allows sick leave compensation to be divided with 50% in DROP account, 25% to Final Average Salary and 25% added to creditable service
- ✓ Changes terms to provide gender neutrality

St. Joseph Firemens' Retirement System

- ✓ Removes remarriage penalty for survivors

City of St. Louis

- ✓ Requires System to provide retired member information

Prosecuting Attorney's Retirement System

- ✓ Any 3rd or 4th class county may elect to make the prosecuting attorney a full-time position
- ✓ On or after August 28, 2001, the normal annuity of a retired member of a county electing a full-time prosecutor shall be 50% of final average salary

◇ **SB 316**

- ✓ Allows for promulgation of joint rules by the 4 school retirement systems to promote reciprocity

◇ **HS for HCS for SB 371**

Missouri State Employees' Retirement System (MOSERS)

Highway Employees' and Highway Patrol Employees' Retirement System (HEHPRS)

- ✓ Establishes a Deferred Retirement Option Plan (DROP), effective January 1, 2002. This option is available to state employees who have continued to work at least 2 years beyond retirement eligibility
- ✓ Establishes a defined contribution plan for faculty and senior administrative personnel of regional colleges & universities employed after June 30, 2002
- ✓ Numerous statutory changes providing consistency between the MSEP & MSEP 2000 plans

◇ **SCS for HCS for HB 660**

Public School Retirement System

- ✓ Provides benefit of 2.55% of Final Average Salary for members with 31 or more years of service retiring after July 1, 2001. Provision sunsets June 30, 2008
- ✓ COLA effective 2nd January for members retiring on or after July 1, 2001
- ✓ Member or survivor retired prior to July 1, 2001 to receive additional \$3 times years of service
- ✓ Establishes excess benefit plan in compliance with Internal Revenue Code

Non-Teacher Employee Retirement System

- ✓ Increases benefit multiplier 1.51% to 1.61% of final average salary
- ✓ Increases temporary supplemental benefit from .4% to .8% of final average salary
- ✓ Member or survivor of member retired prior to July 1, 2001 to receive benefit increase of 7.1%
- ✓ Allows membership for non-certified employees statewide non-profit educational associations

Kansas City Public School Retirement System

- ✓ Retention of benefits should the school district dissolve
- ✓ Provides for benefit coverage for charter school employees
- ✓ Modifies COLA from 4th January to 2nd January

St. Louis Public School Retirement System

- ✓ Increases benefit multiplier from 1.25% to 2%
- ✓ Increases member contribution rate from 4% to 5% of compensation
- ✓ Date of application for retirement increased from 90 to 180 days
- ***Above changes implemented in 1998 by Board of Trustees***
- ✓ Includes charter school employees in retirement system
- ✓ Expands provision for employment of retired teachers without loss of benefits to 4 years and includes service as an administrator or teacher in a charter school

FEDERAL LEGISLATIVE HIGHLIGHTS

The major news-maker in Washington, D.C. recently, is the passage of the Economic Growth & Tax Relief Reconciliation Act of 2001. In addition to being a controversial tax package, this bill was the vehicle that carried pension reform. The following are a few of the pension provisions included in the legislation:

The Economic Growth & Tax Relief Reconciliation Act of 2001 was signed by President Bush on June 7, 2001.

- Increasing contribution limits to 401(k)s, 403(b)s and 457 plans to \$15,000 annually over the next several years
- Enhances portability provisions, allowing rollovers between defined contribution plans without restriction, as well as between IRAs & employer plans
- Requires all matching contributions to vest within 3 years
- Allows catch-up contributions for those age 50 and over in qualified plans
- IRA contribution limit increased to \$3,000 (through 2004)

Education

- Increase in education IRAs from \$500 to \$2,000 annually. Included is tuition, room & board, books & computer expenses for public, private or parochial primary & secondary education

Business

- Offers a tax credit for the start-up costs of a new small business retirement plan
- Tax credit of 25% for businesses providing actual child care expenses and 10% for the cost incurred in providing child care resource & referral services

As a final compromise between both chambers to keep the cost at \$1.35 trillion, the tax cuts will expire on December 31, 2010.

JCPER NEWS

The Joint Committee on Public Employee Retirement (JCPER) staff are currently processing the annual surveys returned by the public employee retirement systems (PERS). We appreciate the cooperation and prompt response.

For more information regarding pension legislation, information regarding our annual report or useful links to other pension related sites, please "drop by" our website at www.jcper.org.